

The Joint Interim Agriculture Policy Committee



Interim Report to the
77th Legislature

House Bill 2

November 2000

November 1, 2000

The Honorable Rick Perry
Lieutenant Governor of Texas
Texas Capitol, 2nd Floor East
Austin, Texas 78701

The Honorable James E. "Pete" Laney
Speaker, Texas House of Representatives
Texas Capitol, 2W.13
Austin, Texas 78701

Dear Governor Perry and Speaker Laney:

The Joint Committee on Agriculture Policy respectfully submits to the 77th Legislature its interim report on the implementation of House Bill 2.

Tom Haywood, Co-Chair

David Swinford, Co-Chair

Ken Armbrister

Robert "Robby" Cook

Teel Bivins

Jim McReynolds

Steve Ogden

Bob Turner

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INTRODUCTION

Agriculture has been a strong foundation in our state's prosperity. The agriculture industry accounts for \$15 billion in direct income, and generates an additional \$80 billion for the Texas economy as a whole.¹ Texas agriculture is as diverse as the land that produces a supply of products, such as grains, fruits, vegetables, natural fibers and livestock.²

Although Texas agriculture plays a large part in our economy, there are many barriers hindering its future existence. For example, drought, floods, pests, crop losses, changing federal policy, lack of marketing, and the general disconnection of urban areas has left Texas agriculture in a fragile condition. With 80 percent of Texans living in urban areas, and less than 2 percent directly involved in the production of food and fiber, agriculture and rural Texas are becoming clearly outnumbered. The rural voice in the Texas House and Senate is expected to diminish by 2003 due to redistricting in the upcoming legislative session. Therefore, the adoption of a statewide agricultural policy is necessary in order to keep the state's agriculture industry from becoming obsolete.

The Joint Agriculture Policy Committee comprehensively studied all aspects affecting agriculture, as well as received input from producers and commodity groups regarding suggestions and changes necessary to develop a sound statewide agricultural policy for Texas.

The Committee would like to express appreciation to the agencies, associations and citizens who contributed their thoughts, time and effort on behalf of this important issue.

¹ TX Dept. of Agriculture, "Agricultural Issues of the 76th Legislature," (September 1999).

² TX Dept. of Agriculture, "Why Agriculture is Important to Texas," (TDA Website).

INTERIM COMMITTEE CHARGE

On March 6, 2000, Lieutenant Governor Rick Perry and Speaker of the House Pete Laney created the Joint Interim Agriculture Policy Committee, naming Senator Tom Haywood and Representative David Swinford as Co-Chairmen. Senators Armbrister, Bivins, and Ogden, along with Representatives Cook, McReynolds, and Turner were named as members of the Committee.

House Bill 2, authored by Representative David Swinford and sponsored in the Senate by Senator Steve Ogden, was signed into law by Governor George W. Bush on May 5, 1999, and became effective upon passage. (*See Appendix A for text of HB 2*). Noting the importance of this legislation, Lieutenant Governor Rick Perry and Speaker Pete Laney created the Joint Interim Committee on Agriculture Policy (“the Committee”).

Governor Perry and Speaker Laney gave the Committee the task to “[d]evelop a sound agricultural policy for Texas in the 21st Century.” The Committee was urged to work closely with the Texas Department of Agriculture, the Commissioner of Agriculture, the Comptroller, the Texas Department of Economic Development, and other agencies and institutions of higher education.

BACKGROUND

Agriculture is a major component in Texas' economy, creating numerous job opportunities for Texans. Prior to the 76th Legislature, Texas lacked a consistent statewide policy addressing the agriculture industry. Before 1999, the state had no plan in place to ensure the economic survival of agricultural industries and businesses from production to processing.

During the 76th Session, agriculture became re-established as a focal point. Lawmakers set forth an ambitious agenda, despite repeated drought and record low commodity prices, in order to help ensure that the state's second largest industry would remain intact and viable for future generations.

With the adoption of House Bill 2 by the 76th Legislature, the first statewide agricultural policy in Texas became known as the Agriculture and Rural Development Act of 1999. It amended Title 1 of the Agriculture Code by adding Chapter 2 which established findings, set policy issues to be addressed and required the Legislature to conduct a comprehensive study of the condition of agriculture, the state's current programs in support of agriculture, and the role of the state in preserving the agriculture industry.¹

Thus, the Joint Interim Committee on Agriculture Policy was created to generate broad policy statements in regard to sixteen specific areas related to agriculture and make recommendations for a statewide agricultural policy for Texas in the 21st century. These guidelines must address the findings in House Bill 2 which include that agriculture has been a critical element in the economic, cultural, and historical development of this state.² The impact of agriculture in Texas is declining because of urbanization, economic changes, and changes in agriculture.² The effects of those changes are not limited to rural areas and the agricultural community, but affect citizens throughout the state.² Agriculture is a vital component of a diversified state economy and creates numerous businesses and job opportunities.² Agriculture is affected by factors beyond the industry's control, including adverse weather conditions and changes in world commodity markets.² Agriculture renews Texas' natural resources through the annual production of crops and livestock.² To ensure that agriculture remains a vital force, the state must assess the condition of agriculture and the role of state government and develop agricultural policy to guide governmental actions.²

During the 76th legislative session, many initiatives that fall under each of these areas were adopted individually by the Legislature. These recent legislative accomplishments for agriculture as well as the developing issues facing the agriculture community established the foundation from which the Committee formulated their policy guidelines. The 77th Legislature will address or build upon many of these same initiatives, as agriculture faces the same on-going challenges regarding water, transportation, regulations, etc.

¹ SEE, TEX. AGRICULTURE CODE, CH. 2.

² TEX. H.B. 2, 76TH Leg., R.S. (1999).

PUBLIC HEARINGS AND TESTIMONY

The Joint Interim Committee traveled around the state, holding hearings in College Station, El Campo, Abilene, and Austin, in order to give the people of Texas a chance to testify on this charge. Throughout the Committee's hearings, a great deal of testimony was given on the development of a statewide agriculture policy.

Seventy individuals, representing a wide cross-section of interests, testified regarding the implementation of HB 2, as well as five persons provided written comments. The Committee also sent a survey to a number of commodity groups in Texas requesting their suggestions regarding a statewide agriculture policy (*See Appendix B for copy of survey*). The groups were asked to define their short and long term goals, policy barriers within the state affecting the growth of agriculture, as well as agricultural legislation they would like to see achieved in the Seventy-Seventh Legislative Session.

On April 17, 2000, the Committee held its first public hearing at the Bush Presidential Conference Center in College Station. The Committee heard testimony from teachers, administrators, and students from Texas A&M University. Witnesses testified on agriculture issues targeted and addressed through the university's college of agriculture, as well as on thoughts and concerns over the future of the agricultural industry. Other issues addressed during the hearing included the impact of urbanization on the industry, economic changes, adverse weather conditions, drought, water availability, transportation, state regulation, and pest and disease eradication.

Presentations were made by:

John Beverly, Texas Agricultural Experiment Station
Jim Butler, Texas A&M University
Susan Combs, Texas Department of Agriculture
Konrad Eugster, Texas Veterinary Medical Diagnostic Laboratory
Jerry Gaston, Texas A&M University
Edward Hiler, Texas A&M University
Stacy Hoefling, self
James Hull, Texas Forest Service
Jack McReynolds, Texas A&M University
Gary Nunley, Texas Wildlife Damage Management Service
Corey Rosenbusch, self
Edward Smith, Texas Agriculture Extension Service

The Committee held its second public hearing in El Campo on May 31, 2000. Testimony was given on crop insurance, agriculture finance, aquaculture, preservation of farmland, eradication of injurious pests and diseases, as well as water planning. It was suggested to the Committee that in order to strengthen agricultural investment, there should be a more intensive approach to marketing the many financial programs available to farmers and ranchers. The inability of farmers to obtain

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affordable operating loans contributes to a general decline of the Texas economy. Members were also told that there is an extensive regulatory climate regarding aquaculture that needs to change before the industry can prosper. Currently, there are many procedures and expenses necessary to acquire an aquaculture permit. Other issues discussed before the Committee included research and development opportunities, insurance licensing, crop insurance regulations and the promotion of value-added products.

Presentations were made by:

Tom Bodangen, self
Sam Chiles, El Campo Production Credit Association
Jim Ekstrom, self
Carl Foshee, Coastal Plains Agri-Business Incubator Systems
Edwin Gangl, self
Ronald Gertson, self
Bill Harrison, First National Bank of Eagle Lake
Fritz Jaenike, Texas Aquaculture Association
Joe Maley, Texas Farm Bureau
Ken Martin, Mayor - City of El Campo
John McClung, Texas Produce Association
Donald Patman, Texas Farm Bureau
Ray Prewett, Texas Citrus Mutual
Jimmy Roppolo, Farmer's Co-op of El Campo
Julie Shackelford, American Farmland Trust
Haskell Simon, Matagorda Co. Water Council
Becca Socha, El Campo Chamber of Commerce & Agriculture
Fred Werkenthin, Texas Aquaculture Association
Bob Wilkins, Danevang Farmer's Co-op

On June 20, 2000, the Committee held another public hearing in Abilene. The main focus of this hearing was on water availability, private property rights, and rural fire service. Comments included Texas' need for an efficient and profitable use of water, in order to develop a sound agricultural industry for the 21st century. The Committee was also informed of the need for operating money, protective equipments, tools, insurance and training for rural fire service. Members were told there is little support locally or statewide to help mounting barriers for volunteer fire departments. Other testimony heard before the Committee consisted of the need for more farm-to-market roads, increased capital and credit to farmers, greater promotion of state products, more education, research and development, and increased state involvement in federal agricultural policies.

Presentations were made by:

John Hofmann, TNRCC
Carl King, Texas Corn Growers
Steve Moore, Rolling Plains Cotton Growers

Lindy Patton, Texas Boll Weevil Eradication Foundation

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David Perdue, self
Jule Richmond, Texas Sheep & Goat Raisers Association
Ray Joe Riley, self
Leland Robinson, self
Steve Verett, Plains Cotton Growers

The Committee held its fourth interim hearing in Austin at the capitol on July 7, 2000. Testimony was given on the necessity of adequate and safe maintenance and funding for roads, bridges and rail, in order to encourage commerce and economic growth. Witnesses reiterated to the Committee the dependence of agriculture on efficient transportation systems. The hearing also focused on the threats posed by foreign animal diseases to Texas agriculture. Members were told that Texas is unprepared to deal with an outbreak and would need emergency funding in the event of an animal health emergency. Testimony given on the preservation of farmland consisted of a study done on revenues and expenditures regarding different types of land usage. The study showed that although agricultural areas pay taxes on a smaller tax base than residential areas, they are more financially beneficial to a city because agricultural areas require less infrastructure³ (*See Appendix C for a copy of study*).

Presentations were made by:

Ben Boerner, Texas Grain & Feed Association
James Butler, Texas A&M System Agriculture Program
Dr. Max Coats, Jr., Texas Animal Health Commission
Martin Hubert, Texas Department of Agriculture
Julie Shackelford, American Farmland Trust
Tony Williams, Texas Cotton Ginners Association
Ross Wilson, Texas Cattle Feeders Association

On October 9, 2000 at the capitol in Austin, the Committee held its final interim hearing. This hearing focused on Texas' wine industry and the relationship it shares with Texas agriculture. An economic study done by the Wine Institute concluded that the impact of wine in the California economy is over \$33 billion, where as Texas' wine industry has a \$100 million per year impact on the economy (*See Appendix D for economic summary*). This prompted member interest on how Texas can benefit from more grape production, since grapes are an increasingly high value crop with an increasing market. Although Texas ranks in the top five among the nation's wine producing states, it is done so with out-of-state grapes. Currently Texas has about 2,200 acres dedicated to grape growing, which is less than half of the 6,000 acres needed to meet the current demand for locally vinted wine.⁴ Testimony was given on barriers limiting the growth of the industry. These

³ American FarmlandTrust, "Cost of Service: The Value of Farm & Ranch Land in Hays County, Texas." (June 2000).

⁴ Paul Bonarrigo, "Texas - the Next Great Wine State." Written Testimony (October 9, 2000).

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limiting factors included the inability to consistently produce grapes profitably in areas of the state; lack of information available to Texas citizens interested in starting a vineyard; lack of coordinated marketing efforts, and difficulties distributing final products to the consumer.⁵

Presentations were made by:

Ed Auler, Associated Wineries of Texas
Donald W. Bigbie, Himself
Gill L. Bledsoe, Himself
Paul Bonarrigo, Messina Hof Winery & Resort
Jim Butler, Texas A&M University Agriculture & Life Sciences Program
Susan Combs, Texas Department of Agriculture
Les Constable, Himself
Bobby Cox, Himself
Tim Dodd, Texas Tech University
Gary Elliot, Himself
Leonard Garcia, Himself
Gary Gilstrap, Hill Country Wine Trail
Alan Gray, Licensed Beverage Distributors
Mark Hyman, Llano Estacado Winery
Ed Manigold, Spicewood Vineyards
Charles O. McKinney, Himself
Gina Puente-Brancato, Herself
Anne C. Rioux, Herself
Bobby G. Smith, Himself
Cord Switzer, Fredricksburg Winery
Ben M. Valentino, Himself
Dr. Cubie Ward, Himself
Randy Yarbrough, TABC
Michael Zerbach, Himself

Note: See Appendix E for Witness comments on each of the 16 specific issues studied by the Committee.

⁵ Tim H. Dodd, Ph.D., "The Texas Wine and Grape Industry," Written Testimony (October 9, 2000).

COMMITTEE RECOMMENDATIONS

In order to achieve maximum results from the implementation of House Bill 2, the Joint Agriculture Policy Committee makes the following recommendations:

Issue #1: *Water availability, including planning for water supplies and drought preparedness and response;*

Recommendation: The state should ensure agricultural use of water remains a high priority in the present and for future generations.

Issue #2: *Transportation, including farm-to-market road systems and intermodal transportation;*

Recommendation: The state should ensure adequate transportation for agricultural products which necessitates an efficient and well-maintained farm-to-market road system and intermodal transportation at competitive rates.

Issue #3: *State regulatory;*

Recommendation: The state should not impose laws or regulations that would have an adverse impact on the health, safety and welfare of Texans or in a manner inconsistent with the efficiency and profitability of agricultural enterprises.

Issue #4: *State tax policy;*

Recommendation: The state should have a tax policy that promotes the agricultural industry which includes production and processing.

Issue #5: *Availability of capital, including state loans or grants authorized by the Texas Constitution;*

Recommendation: The state should facilitate access to capital through loans and grants authorized by the Texas Constitution for agricultural producers who have established or intend to establish agricultural operations in Texas.

Issue #6: *Promotion of Texas agricultural products;*

Recommendation: The state should promote orderly and efficient marketing of agricultural commodities and enhance and expand sales of Texas agricultural products, both raw and processed, in local, national and international markets.

Issue #7: *Eradication or control of injurious pests and diseases;*

Recommendation: The state should continue to eradicate and/or control injurious pests and diseases that affect crops and livestock.

Issue #8: *Research and education efforts;*

Recommendation: The state should maintain a solid foundation of stable and long-term support under the important public activity of food and agricultural research, while improving accountability and gathering public input concerning research, promotion and educational programs involving all segments of agriculture.

Issue #9: *Promotion of efficient utilization of soil and water resources;*

Recommendation: The state should sustain the long-term productivity of landowners by conserving and protecting the basic resources of agriculture which include soil, water and air while working within federal mandates relating to natural resources.

Issue #10: *Rural economic and infrastructure development;*

Recommendation: The state should enhance, protect and encourage rural economic and infrastructure development for the production of food and other agricultural products.

Issue #11: *Protection of property rights and the right to farm;*

Recommendation: The state should promote and protect agricultural activities conducted on farmland, if consistent with good agricultural practices and established prior to surrounding nonagricultural activities; and are presumed to be reasonable and does not constitute a nuisance, public or private, unless the activity has a substantial adverse effect on the public health and safety. If such agricultural activity is

undertaken in conformity with the federal, state and local laws and regulations, it is presumed to be good agricultural practice and not adversely affecting the public health and safety.

Issue #12: *Preservation of farmland;*

Recommendation: The state should encourage the development and improvement of farmland for the production of food and other agricultural products consistent with the philosophy of a private property rights state.

Issue #13: *Food safety;*

Recommendation: The state should continue to support Texas agricultural production of the safest food in the world, and any regulations should be based on sound scientific evidence.

Issue #14: *Efforts to participate in the formulation of federal programs and policies;*

Recommendation: The state should be more active in developing federal policy that affects the state of Texas.

Issue #15: *Promotion of rural fire service;*

Recommendation: The state should seek opportunities to improve the sustainability and effectiveness of rural fire service for the protection of the general public and natural resources.

Issue #16: *Promotion of value-added agricultural enterprises;*

Recommendation: The state should promote efforts to increase the value of Texas agricultural products through processing, management practices or other procedures that add consumer benefits to agricultural goods.

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The Committee recognizes the need for an on-going examination of the state's agricultural policy. Once an agricultural policy is in place, an entity must be designed to ensure that the policy is being adhered to by the state. Thus, the Committee recommends that the 77th Legislature examine the feasibility of creating a Legislative Agriculture Policy Board, consisting of members of the Legislature and the Texas Commissioner of Agriculture. This Board should have the following mandates:

1. Continue the development of Agriculture Policy Guidelines resulting from House Bill 2.
2. Review all relevant legislation as to compliance with Agriculture Policy Guidelines.
3. Review all budget issues for compliance with Agriculture Policy Guidelines, including establishing priorities for agriculture related research. The Committee recommends that the Agriculture Policy Board examine the feasibility of establishing an Agricultural Technology Program for applied research.
4. Review all current statutes for compliance with Agriculture Policy Guidelines.
5. Review all agency rule-making authority for compliance with Agriculture Policy Guidelines.
6. May create a fifteen-member ad-hoc advisory committee.
7. Coordinate with other agricultural related boards.